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DIA and DOS review(s) completed.

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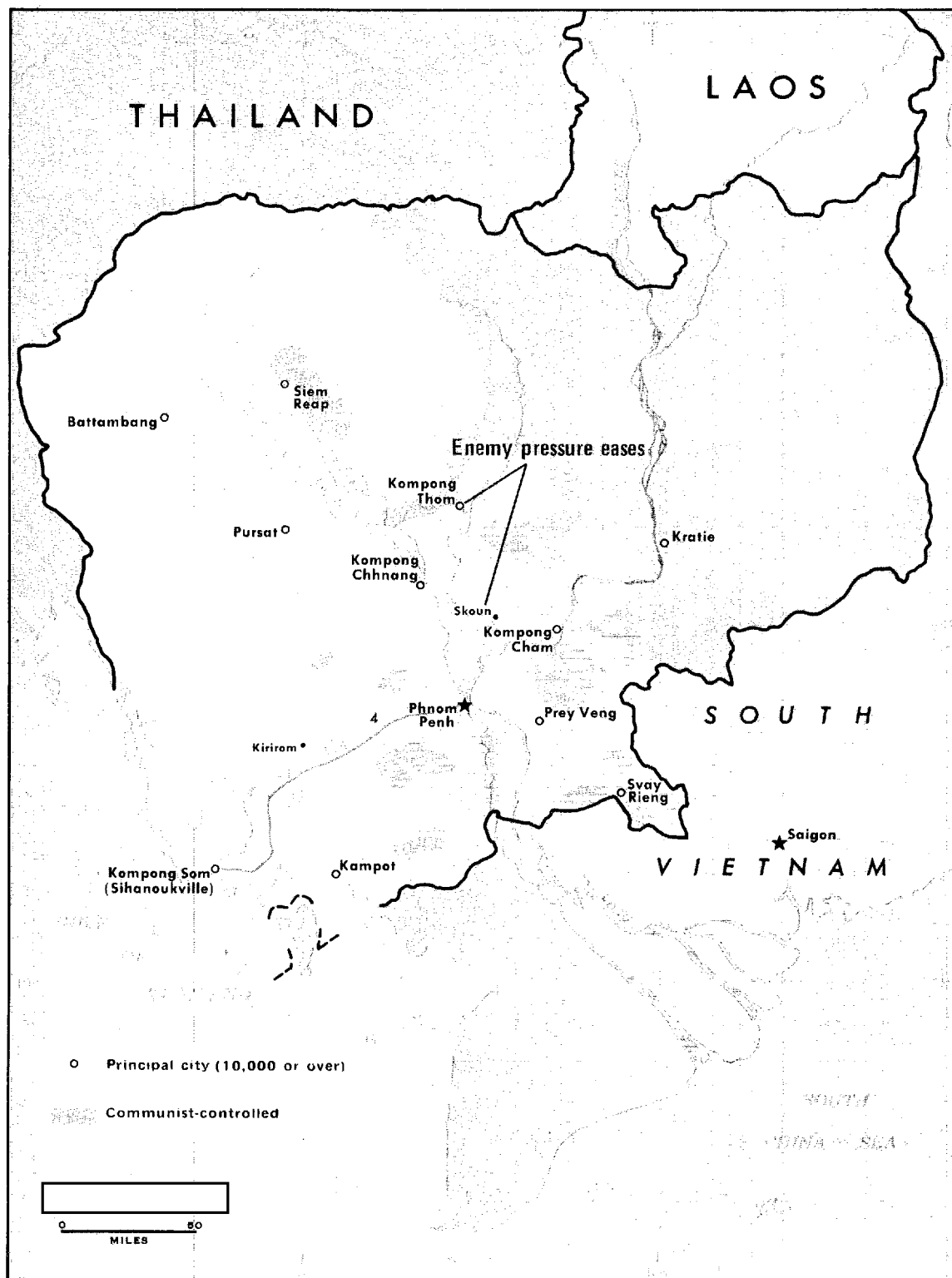
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Cambodia: The government's position in Kompong Thom is greatly improved.

The Cambodian Army deputy chief of staff told a US Embassy official in Phnom Penh yesterday that Communist pressure on the government garrison in the northern city has been relieved and that all enemy troops have been driven out. The Communists were still directing some small arms and mortar fire on Kompong Thom from the north and east, however. The officer claimed that over 200 Communists were killed in the recent fighting, adding that air strikes had enabled the garrison to hold its ground.

All seriously wounded government soldiers have been evacuated to Phnom Penh by helicopter, and supplies of munitions, food, and fuel are being air-dropped to Kompong Thom. Replacements for killed and wounded government troops will be flown to the city as soon as enough helicopters are available. The government forces' dogged and successful defense of the city, for a second time, should help to boost spirits throughout the army.

Additional enemy attacks on Kompong Thom may occur, however, once the Communists have regrouped and refitted.

The Cambodian officer also reported that only a few enemy elements were still in the town of Skoun, in Kompong Cham Province, and that the main Communist force had moved north and west of the town. A small government relief column from Kompong Cham city was in contact with enemy forces east of Skoun yesterday. Three Khmer Krom battalions were proceeding from Phnom Penh on 4 August to retake the town and to counter a suspected Communist pincer movement north and west of Kompong Cham city.

Elsewhere, the government's sputtering counter-offensive to retake Kirirom may be postponed indefinitely

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[redacted] Cambodian Army troops already in the Kirirom area are still being plagued by bad weather, supply shortages, and sickness. Moreover, enemy harassing attacks on Route 4 continue to complicate the movement of supplies and fresh troops destined to support the planned offensive. [redacted]

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Israel: The government's formal response to the US peace initiative reaffirms its previously announced intention to agree to a cease-fire and to begin peace talks under UN special ambassador Jarring.

The statement is short, carefully worded, and nonpolemical; it contains no specific qualifications or conditions. All the main elements of Israel's long-standing requirements for peace are emphasized; there is no evidence of any basic change in Israeli policy.

For the first time, Israel has officially accepted the principle of withdrawal, but this concept is tied to "secure, recognized, and agreed" borders. Although emphasizing the Israeli requirement for negotiated frontiers, the statement avoids a specific demand for direct talks.

The Israelis note that their hope for an unconditional cease-fire on all fronts "remains unchanged," but specifically accept a cease-fire--"for three months or longer"--only on the Egyptian front. This singling out of the Egyptian front is presumably intended to leave the Israelis free to deal with the fedayeen on the other cease-fire lines. Looking ahead to the projected peace settlement, the Israelis repeat an old dictum of theirs: that each of the parties is responsible for the prevention of all hostile acts from its territory against the territory of the other.

In line with previous Israeli policy, the statement avoids a flat acceptance of UN Security Council Resolution 242, the basis of the US initiative, and speaks instead of accepting talks "within the framework" of the resolution. The statement emphasizes that Israel's objectives in such talks are to achieve a "binding and contractual peace agreement, the termination of all belligerency, and the mutual recognition of sovereignty, territorial integrity, and political independence." As expected, there is no mention of the Palestine refugees.

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India: Growing political fluidity in the south Indian state of Kerala could eventually benefit the Communist Party of India/Marxist (CPM)--the more radical of India's two main Communist Parties.

In 1967, the CPM won a plurality in the state assembly and headed a coalition government. Last fall most of the other parties in the state joined to oust the CPM, and formed a weak coalition government under the leadership of the more moderate, pro-Soviet Communist Party of India. ()

In June, however, the state's chief minister, unable to implement his programs because of bickering within the coalition, had the state assembly dissolved and asked for new elections. He and his cabinet remained in office temporarily, but the defection of one of the coalition parties finally brought the government down on 1 August.

New elections are scheduled for 17 September, but several groups are seeking a postponement. The CPM hopes a delay will further increase the disarray among its opponents, and several smaller parties fear that they are too disorganized to go to the polls now.

The CPM is almost certain to emerge again as Kerala's strongest single party should elections be held next month, but it could still have difficulty forming a government. In any case, instability is likely to continue in Kerala, and direct rule from New Delhi for an extended period of time cannot be ruled out. []

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Guatemala: President Arana has endorsed a five-year development plan described by the US Embassy as a "model of rationality."

The plan de-emphasizes infrastructure projects and concentrates on rural social development, including expansion of health and educational facilities. It also embodies assistance in the field of agriculture and approval of proposed foreign investment for nickel extraction in the northeast. The government expects to finance the plan through additional tax revenue and substantial external borrowing.

Beginning with his inaugural address, Arana has frequently stated his desire to help the nation's poor. His endorsement of the development plan is the most significant step thus far toward that end.

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Jordan: Zaid Bin Shakir, formerly head of Jordan's Third Armored Division, has been appointed assistant chief of staff for operations in the Jordanian Army. The fedayeen demanded Shakir's dismissal during their confrontation with the government early in June; the King's acquiescence then was viewed as a major defeat for the regime. Shakir's new appointment--particularly coming on the heels of Jordan's acceptance of the US peace plan--will probably be regarded by the fedayeen as a breach of the agreement reached in June and will intensify the tension and suspicion between the two sides. [REDACTED]

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USSR-Egypt: The Egyptian airline, United Arab Airlines (UAA), is modernizing its fleet by purchasing ten Soviet aircraft--four TU-134 twin-jets, four TU-154 tri-jets, and two AN-12 turboprop all-cargo aircraft. These aircraft, which are expected to be delivered by 1973, will replace other types of Soviet aircraft now in UAA's inventory. The Soviet Union reportedly has offered attractive financing terms, including a discount of 45 percent off the list price as well as allowing a liberal trade-in of some of UAA's present holdings of Soviet aircraft. UAA is still expected to buy four Boeing 727 aircraft for delivery in 1971 for use on its international routes.

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Bolivia: The political situation remains fluid with moves and countermoves by President Ovando and the military high command continuing. The collective resignation of the cabinet strengthens Ovando's position somewhat, and the President reportedly has received assurances of support from leftist students and labor. The military high command appears uncertain of its backing among armed forces units in La Paz, and there are some indications that Ovando is picking up support among junior officers. [REDACTED]

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Chile-Cuba: Chile may be considering opening air service to Cuba. On 31 July Foreign Minister Valdes said that diplomatic relations with Cuba during the present administration were "very improbable," but added that nothing in the OAS resolutions prohibits a commercial air link. He emphasized the importance of government-to-government relations between Cuba and other Latin American countries rather than simply commercial ties. Moreover, a group of educators, led by a Christian Democrat not renowned for leftist sympathies, recently returned from Cuba. The leader, who is the rector of the Catholic University, promised to use "all means available to Catholic University...to clarify the image of the Cuban revolution and dissipate the clouds created by alien interests." [REDACTED]

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[Uruguay: The Tupamaros last night released Judge Pereira, who had been kidnaped on 28 July. The terrorists apparently interrogated the judge extensively, but did not demand any ransom for his release. Meanwhile, police search operations have resulted in the capture of five Tupamaros, some of whom are believed to be directly linked to the kidnaping on 31 July of the still-missing US official and a Brazilian diplomat. The Papal Nuncio has offered to serve as an intermediary between the government and the Tupamaros. [REDACTED]

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UK-Bahamas: London is in a quandary over US plans to dump obsolete nerve gas close to the Bahamas. Foreign Office officials, obviously concerned with Acting Prime Minister Hanna's criticism, have proposed sending a technical group to Washington--with observers from the Bahamas and Bermuda--for ecological briefings. While wishing to accept and ratify Washington's conclusions, the British officials suggested that the US action might be delayed pending completion of the experts' report. They left open the possibility of an unfavorable finding. [REDACTED]

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India - East Germany: East Germany has made another small but significant advance in its quest for international recognition by establishing consular relations with India. The respective trade missions in New Delhi and East Berlin will be upgraded to the status of consulates general. Official announcements of the move were made simultaneously on Monday by the East German press agency and the Indian Foreign Ministry. The East Germans are not fully satisfied with consular relations and can be expected to continue pressing for full diplomatic recognition.

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